

AR53

DEBHOLD (CANADA) LIMITED

ANGLO AMERICAN CORP. OF CANADA LTD AMCAN

Anglo-American
Oppenheimer

1972 Annual Report

Debhold (Canada) Limited

Directors

SIR KEITH C. ACUTT, K.B.E.

Deputy Chairman, Anglo American Corporation of South Africa Limited and *Director*, De Beers Consolidated Mines Limited

IAN D. DAVIDSON, C.B.E.

Director, Western Assurance Company

GREY C. FLETCHER, M.C.

Director, Anglo American Corporation of South Africa Limited and *Director*, De Beers Consolidated Mines Limited

H. RONALD FRASER

President, Anglo American Corporation of Canada Limited

WILLIAM A. MORRICE

President, Hudson Bay Mining and Smelting Co., Limited

GAVIN W. H. RELLY

Chairman, Hudson Bay Mining and Smelting Co., Limited
Chairman, Anglo American Corporation of Canada Limited

GERALD J. RISBY

Director and Vice-President—Treasurer, Anglo American Corporation of Canada Limited

Officers

SIR KEITH C. ACUTT, K.B.E., *Chairman*

GAVIN W. H. RELLY, *President*

GERALD J. RISBY, *Vice-President*

T. P. SULLIVAN, C.A., *Secretary-Treasurer*

TRANSFER AGENT AND REGISTRAR
National Trust Company, Limited

BANKERS
Canadian Imperial Bank of Commerce

SOLICITORS
Blake, Cassels & Graydon

AUDITORS
Deloitte, Haskins & Sells

Report of the Directors

The issued capital of the Corporation remained unchanged during 1972.

The total income of the Corporation in 1972 was \$987,774, of which sum \$730,311 came as dividends on its investment in Anglo American Corporation of Canada Limited (Amcan). Expenses absorbed \$39,552 and, after making provision for taxes, net income for the year was \$948,034 compared with \$937,129 the previous year. De Beers Consolidated Mines Limited (DeBeers), under the terms of its guarantees relating to the Corporation's Preference Shares contributed \$563,000 which amount, together with an extraordinary gain on realization of an investment of \$52,120 (net of income taxes of \$15,384) and retained earnings at the end of 1971, made a total of \$1,762,887 available for dividends. Preference Share dividends

absorbed \$1,525,000 and after charging \$22,207 for amortization of share issue expenses, retained earnings at the year end amounted to \$215,680 compared with \$199,733 at December 31, 1971.

The major asset of the Corporation remains its holding of 2,434,370 shares in Amcan, equal to 28.88 per cent of the outstanding shares of that company. Amcan's consolidated income for 1972 (before gain on realization less provision for losses on investments) was \$3,203,000, equal to 38.0 cents per share, compared with \$1,173,000, or 13.9 cents per share the previous year. The substantial improvement was attributable to increased dividends from Hudson Bay Mining and Smelting Co., Limited, more profitable trading operations and lower interest charges.

The net asset value of Amcan at December 31, 1972, taking listed assets at their realizable or market value and unquoted assets at the lower of cost or Directors' valuation, was \$84,458,000, equal to \$10.02 per share, compared with \$83,269,000, equal to \$9.88 per share, at the end of the previous year. At February 28, 1973 the valuation had increased to approximately \$96,702,000 or \$11.47 per share.

Amcan's major asset continued to be its 28 per cent investment in Hudson Bay, whose net earnings in 1972 before an extraordinary item were \$11,379,000 or \$1.26 per share. An extraordinary write-off of \$8,518,000 with respect to the Wellgreen Mine in the Yukon reduced reported earnings to \$2,861,000 (or 32 cents per share), a slight decrease from earnings for 1971 of \$3,009,000 (or

33 cents per share). A comparison of the results for 1972 and 1971 is difficult; while 1971 earnings were adversely affected by a five month strike that shut down the base metal operations in Flin Flon and Snow Lake, Manitoba, more significant factors for 1972 were the impact on costs of the 1971 wage settlement and the relatively weak copper prices. However, in respect of 1972 Hudson Bay paid dividends of 80 cents per share, compared with 50 cents per share in 1971.

At year end, Amcan still retained a substantial shareholding in The White Pass and Yukon Corporation Limited, equal to about 26.2 per cent of that company's outstanding common shares, and 33.3 per cent of the outstanding shares of Great Northern Capital Corporation Limited. The shares of Great Northern Capital Corporation

Limited were sold in March 1973 and Amcan realized a substantial gain over the cost of its investment.

Under certain agreements, DeBeers, whose subsidiary companies hold all the Corporation's common shares, has guaranteed the payment of dividends, capital and redemption premiums on the Series 'A' and 'B' Preference Shares.

DeBeers in its preliminary statement issued on March 14, 1973 reported net consolidated profit for 1972 of \$217,635,000 (converted to Canadian dollars at the rate of R1=\$1.27), an increase of \$81,006,000 by comparison with the previous year. After deducting \$10,593,000 for outside interests in the profit of subsidiaries, the net profit attributable to DeBeers for the year 1972 was \$207,062,000,

an increase over 1971 of \$77,123,000. Dividends totalling an amount equal to 22.9 cents per share (Canadian) were paid in respect of 1972, as compared with 19.1 cents the previous year.

Copies of the Directors' report and accounts of DeBeers for the year ended December 31, 1972 will be sent, as soon as they are issued, to the holders of the Corporation's Series 'A' and 'B' Preference Shares.

On behalf of the Board

GAVIN W. H. RELLY
President

April 3, 1973.

**STATEMENT OF INCOME AND
RETAINED EARNINGS**

DEBHOLD (CANADA) LIMITED

for the year ended December 31, 1972
(with 1971 figures for comparison)

INCOME:	1972	1971
Dividends:		
Affiliated company.....	\$ 730,311	\$ 724,147
Other.....	219,666	204,795
Interest:		
Affiliated company	37,718	26,716
Other.....	79	26,614
Total income.....	987,774	982,272
OPERATING EXPENSES (including directors' fees, 1972 and 1971—\$2,100).....	39,552	39,312
INCOME BEFORE TAXES.....	948,222	942,960
PROVISION FOR TAXES (Note 4).....	188	5,831
NET INCOME.....	948,034	937,129
EXTRAORDINARY GAIN ON REALIZATION OF INVESTMENTS (net of income taxes of: 1972—\$15,384; 1971—Nil).....	52,120	69,063
RETAINED EARNINGS AT BEGINNING OF THE YEAR.....	199,733	172,748
TRANSFER FROM CONTRIBUTED SURPLUS ARISING UNDER GUARANTEES.....	563,000	568,000
	1,762,887	1,746,940
LESS:		
Dividends on 6% Cumulative Redeemable Preference Shares, Series A.....	900,000	900,000
Dividends on 6 $\frac{1}{4}$ % Cumulative Redeemable Preference Shares, Series B.....	625,000	625,000
Amortization of share issue expenses.....	22,207	22,207
	1,547,207	1,547,207
RETAINED EARNINGS AT END OF THE YEAR.....	\$ 215,680	\$ 199,733

The accompanying notes are an integral part of the financial statements.

BALANCE SHEET

as at December 31, 1972

(with 1971 figures for comparison)

ASSETS

CURRENT ASSETS:	1972	1971
Cash.....	\$ 441	\$ 1,027
Deposits with an affiliated company.....	505,214	455,714
Dividends and interest receivable.....	44,648	36,584
Taxes recoverable.....	—	32,592
Total current assets.....	550,303	525,917
QUOTED INVESTMENTS—at cost (market value, 1972—\$3,571,713; 1971—\$3,407,562).....	3,554,728	3,538,266
INVESTMENT IN ANGLO AMERICAN CORPORATION OF CANADA LIMITED —at cost (Note 1).....	26,315,560	26,315,560
SHARE ISSUE EXPENSES—at cost, less accumulated amortization, 1972—\$139,736; 1971—\$117,529.....	191,514	213,721
Approved by the Board:		
G. W. H. RELLY, <i>Director</i>		
IAN D. DAVIDSON, <i>Director</i>		
TOTAL.....	\$30,612,105	\$30,593,464

The accompanying notes are an

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:	1972	1971
Accounts payable and accrued charges.....	\$ 4,418	\$ 4,981
Income taxes payable.....	3,257	—
Total current liabilities.....	<u>7,675</u>	<u>4,981</u>
SHAREHOLDERS' EQUITY:		
Capital stock (Notes 2 and 3):		
Authorized:		
300,000 preference shares with a par value of \$100 each (issuable in series)		
600,000 common shares with a par value of \$10 each		
Issued and fully paid:		
150,000 6% Cumulative Redeemable Preference Shares, Series A.....	15,000,000	15,000,000
100,000 6 ¹ / ₄ % Cumulative Redeemable Preference Shares, Series B.....	10,000,000	10,000,000
516,375 common shares.....	5,163,750	5,163,750
	<u>30,163,750</u>	<u>30,163,750</u>
Contributed surplus—arising from the issuance of common shares.....	225,000	225,000
Contributed surplus—arising under guarantees (Note 2).....	—	—
Retained earnings.....	215,680	199,733
Total shareholders' equity.....	<u>30,604,430</u>	<u>30,588,483</u>
TOTAL.....	<u>\$30,612,105</u>	<u>\$30,593,464</u>

STATEMENT OF CONTRIBUTED SURPLUS ARISING UNDER GUARANTEES

DEBHOLD (CANADA) LIMITED

for the year ended December 31, 1972
(with 1971 figures for comparison)

	1972	1971
RECEIVED DURING THE YEAR (Note 2).....	\$ 563,000	\$ 568,000
TRANSFER TO RETAINED EARNINGS.....	563,000	568,000
BALANCE AT END OF THE YEAR.....	\$ —	\$ —

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended December 31, 1972
(with 1971 figures for comparison)

SOURCE OF FUNDS:

Net income for the year.....	\$ 948,034	\$ 937,129
Quoted investments realized (net of income taxes of: 1972—\$15,384; 1971—Nil).....	535,658	592,116
Contributions under guarantees.....	563,000	568,000
Total funds provided.....	2,046,692	2,097,245

APPLICATION OF FUNDS:

Investments purchased:

Quoted.....	500,000	208,594
Anglo American Corporation of Canada Limited.....	—	177,434

Dividends paid:

6% Cumulative Redeemable Preference Shares, Series A.....	900,000	900,000
6 $\frac{1}{4}$ % Cumulative Redeemable Preference Shares, Series B.....	625,000	625,000
Total funds applied.....	2,025,000	1,911,028
INCREASE IN WORKING CAPITAL FOR THE YEAR.....	21,692	186,217
WORKING CAPITAL AT BEGINNING OF THE YEAR.....	520,936	334,719
WORKING CAPITAL AT END OF THE YEAR.....	\$ 542,628	\$ 520,936

The accompanying notes are an integral part of the financial statements.

1. Investment in Anglo American Corporation of Canada Limited

The company's investment in 2,434,370 shares of Anglo American Corporation of Canada Limited represents 28.88% of the issued shares of that company.

2. Guarantees by De Beers Consolidated Mines Limited

Under an agreement dated as of June 15, 1966, relating to the Series A preference shares, and an agreement dated as of August 15, 1966, relating to the Series B preference shares, De Beers Consolidated Mines Limited guaranteed to provide the company with sufficient distributable surplus and cash to enable it to pay:

- (a) on each dividend date the full dividend accrued to such date on the Series A and B preference shares then outstanding,
- (b) on any date on which any of the Series A and B preference shares have been called for redemption, the full then current redemption price of such Series A and B preference shares, and
- (c) on the winding up or liquidation of the company, the full then liquidation price of the Series A and B preference shares then outstanding.

During the period from incorporation, June 9, 1966, to December 31, 1972, De Beers Consolidated Mines Limited contributed \$3,249,964 under the guarantees, of which \$563,000 relates to the current year.

3. Preference Shares—Redemption Premiums

The 6% Cumulative Redeemable Preference Shares, Series A, are redeemable at any time after June 1, 1981, and on or before June 1, 1982, at a price of \$102.50, and thereafter at prices decreasing by \$0.50 annually until June 1, 1986, and thereafter at par, in each case together with accrued and unpaid dividends.

The 6 $\frac{1}{4}$ % Cumulative Redeemable Preference Shares, Series B, are redeemable at any time after September 1, 1981, and on or before September 1, 1982, at a price of \$102.50, and thereafter at prices decreasing by \$0.50 annually until September 1, 1986, and thereafter at par, in each case together with accrued and unpaid dividends.

4. Income Taxes

A substantial portion of the income is not subject to income tax, since it is comprised of dividends from tax-paying Canadian companies.

5. Earnings Per Share

No earnings are applicable to the common shares.

Auditors' Report

To the Shareholders of
Debhold (Canada) Limited:

We have examined the balance sheet of Debhold (Canada) Limited as at December 31, 1972 and the statements of income and retained earnings, contributed surplus arising under guarantees, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, HASKINS & SELLS
Chartered Accountants.

Toronto, Ontario, January 12, 1973.

